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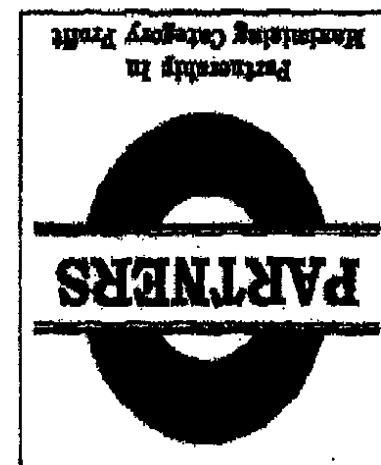
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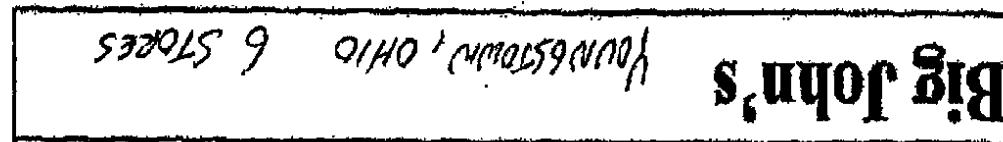
TEL 12167532046

P. 2

**Retail Partner Programs**  
**1995 Retail Merchandising**  
**1995 Retail Co-Marketing**



20% off  
PM EXCLUSIVE 60% PM  
1400 APR 1995 (END)  
(-6A5)



41-19-04-

P.02

12129075815

MAY-10-1995 06:57 FROM SECTION 41

MAY-10-1995 06:57 FROM SECTION 41

TO

12129075815 P.01

**PHILIP MORRIS USA  
Section 41**

**FAX #: 513-831-1131**

**TELEPHONE #: 513-831-1100**

**LOCATION: 400 TECHNECENTER DRIVE  
MILFORD, OHIO 45150**

To: Mark Becker

From: Mark Crichton 4150m

Date: 5/10

Message: LIED on the E-mail. Too  
EASY TO JUST FAX.

Pages (including cover)       

*✓*  
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# Potential Merchandising Payments

## Big John's

\$1,020      *Base Participation  
Components  
Advantage Position*

**\$1,020      Total Monthly Payments All Stores**

**\$170      Average Monthly Payments Per Store**

**\$12,240      Total Annual Payments / All Stores**

*RJ Reynolds*

2077384721

# Co-Marketing Accrual

## Big John's

\$40      *RJR (Base)*

\$20      *Retailer (Match)*

\$20      *RJR (Match)*

\$480      **Total Promo Value All Stores**

\$80      **Average Promo Value Per Store**

**\$5,760      Total Annual Promo Value / All Stores**



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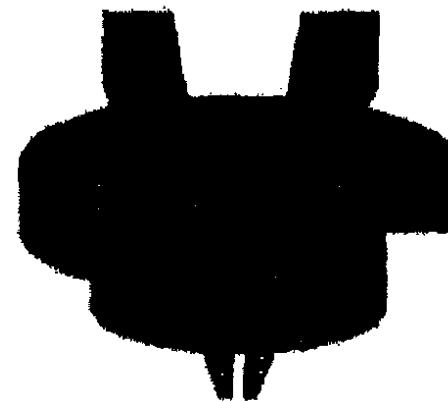
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May 5 '95 15:55

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TEL 1212598248

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**Big John's**

Total Retail Partners  
Earnings Potential

\$1,380	Total Earnings - Monthly - All Stores
\$16,560	Total Earnings - Annual - All Stores

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FROM SECTION 41

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P.12

P.15

TEL 12167587046

KUTK-KOPY PRTE.

May 5 '95 15:56

## Big John's

We look forward to working with you  
as a partner to achieve success in  
meeting the needs of our consumers  
and cigarette category objectives in  
1995.

Thank You!

RJReynolds  
Tobacco Company

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May 5 '95 15:32

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TEL 1215788646

P.11

## Don't Sell Yourself Short!

Productivity  
Quality  
Delivery  
Customer service  
Competitiveness  
Sales

Selling point  
Buyer's needs  
Marketing  
Sales  
Customer satisfaction  
Product quality  
Delivery

Marketing  
Customer service  
Competitiveness  
Sales

Selling point  
Buyer's needs  
Marketing  
Sales  
Customer satisfaction  
Product quality  
Delivery

## Co-Existence Is Best For The Retailer

### The Co-Existence Strategy

P.11

MAY-10-1995 07:02 FROM SECTION 41

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May 5 '95 15:48

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TEL 12167537846

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Co-Marketing Program Changes	
HCR Volume Based	Large volume categories
EDLP Accounts Only	Small volume categories
EDLP Accounts - Total Category Partner	EDLP Accounts Only
Non-EDLP Accounts - Merchant Partner	Primarily Defensive Activity (Discounting)
EDLP Accounts - Total Category Partner	Partner's primary defensive activity - Premium Merch - Total Category Partner
EDLP Accounts Only	No carryover of unused funds
EDLP Accounts - Total Category Partner	Same Rate applied to all participants
Large volume categories	No Mandated Match
Small volume categories	No Promotional Products Required
Total Category Partner - Lower rate	Cards & Corporate Cards

## 1995 Co-Marketing Promotion Accrual Program

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FROM SECTION 41

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P-9

Co-Marketing Base and Match options	
No Premium Match Option	
Lower per carton rate	Maximum per carton rate
the dividend mitigated)	RJR Everyday Lowest Price in all applicable Price Terms
RJR Base Merchandising Elements	No RJR DDP in all applicable Price Terms
(with a minimum quantity guarantee)	RJR Base Merchandising Elements
the dividend mitigated)	RJR Everyday Lowest Price in all applicable Price Terms
No Premium Match Option	Premium Match Option (RJR discretion)
Lower per carton rate	Maximum per carton rate
the dividend mitigated)	No Premium Match Option
Co-Marketing Base and Match options	

**1995 Co-Marketing Promotion Accrual Program**

*Applies to both Pack and Carton Outlet Co-Marketers*

P-09

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07:01

MAY-10-1995

## **1995 Merchandising Program Requirements Pack Outlets *(continued)***

- Provide RJR share of space equal to RJR share of market on carton merchandisers, if applicable. Minimum acceptable space as determined by an RJR Representative.
- Ensure RJR brands are represented in all price tiers as required.
- Ensure adequate quantity of RJR brands are maintained to minimize out of stock, including brands designated for display.
- Provide RJR equal opportunity to place temporary promotional displays and signage, as requested.
- Accept new RJR brand styles as requested by RJR Representative.
- RJR reserves the right for final approval of display / advertising sizes and locations.

RJReynolds

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## 1995 Merchandising Program Requirements Pack Outlets

- RJR Full Price Display in Primary Position
- RJR Full Price Display is in a 2nd, 3rd, or 4th Full Price Position
- RJR Savings Brand Display in a Primary Savings Position
- Display RJR "Lowest" brands, if applicable
- Provide RJR accurate volume information. Authorize primary and other suppliers to release brand style volume information to RJR.
- Provide RJR share of available signage (excluding signage on fixtures / displays) equal to RJR share of market.

*RJR Reynolds*  
Cigarette Company

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May 5 '95 15:45

TEL 12167587046

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May 5 '95 15:45

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TEL: 12167337246

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## 1995 Merchandising Program - Pack Outlets

Program Comparison	
Old Program	New Program
<b>Industry Volume based</b>	<b>RJR Volume - Pay for performance</b>
<b>Volume ranges</b>	<b>Volume ranges</b>
- Broad - Capped near trade average	- Multiple - Competitive in high volume accounts
<b>Base requirements</b>	<b>Base requirements</b>
- 1 Full Price display - 1 Savings display - Enhanced sign	- 2 Full Price display - 1 Savings display
<b>Minimal additional signage requirement</b>	<b>Share of signage equal to RJR SOM</b>
<b>Enhancement option - Payment flexibility</b>	<b>Enhancement option - Payment flexibility</b>
<b>Component (stand alone) option</b>	<b>Component (stand alone) option - Payment flexibility</b>
<b>Minimum Volume requirement</b>	<b>Minimum Volume requirement</b>
- 76 Industry CPW	- 100 Industry CPW - 17 RJR CFW

*RJR Reynolds*  
House of Quality

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# Retail Partners Program Summary of Changes

## • Merchandising

- Shift to performance based merchandising - RJR volume.
- Linkage to marketing objectives at retail - 2 full price feature displays and 1 savings.
- Increase quality of retail presence.

## • Co-Marketing

- Co-Marketing Funds used offensively / defensively - expanded universe.
- Co-Marketing Funds - Greater impact / Point of difference.
- Co-Marketing Funds - Linked to merchandising and RJR volume.

## • Program Management

- Partnership approach to retail needs / priorities.
- Field sales flexibility - decentralized trade support.
- Improved efficiencies and targeting for long-term growth.

*RJR Reynolds*  
Tobacco Company

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## Retail Partners Program Strategic Direction

- RJR's Objectives are fully integrated with our Retail Trade Customers' needs.
- RJR will work to do what is best for RJRT, our Retail Trade Partners, and our mutual consumers, versus simply following competition.
- RJR fully understands and anticipates change in the retail environment to be on the leading edge of new strategies, services, programs and technology to meet or exceed expectations of our retail customers.
- RJR is best positioned to serve as the "Category Advisor", supporting business partnerships which will drive consumer impact and responsiveness.
- Reinforces RJR's approach of "Working For Smokers".



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## Retail Partners Program Background

- The cigarette industry has changed dramatically over the past few years:
  - *Price rollback*
  - *Competitive retail programs*
  - *B&W/ATC merger*
- RJR's and retail trade needs have also changed:
  - *Link trade programs*
    - » Retail Merchandising
    - » Retail Co-Marketing
    - » Distributor Programs
  - *Improve quality of retail presence*
  - *Reward retail trade for supporting RJR strategic brands*
  - *Construct strong foundation for future growth of category*

*RJReynolds*  
Tobacco Company

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